



STATE OF WYOMING
OFFICE OF THE GOVERNOR



JIM GERINGER
GOVERNOR

STATE CAPITOL
CHEYENNE, WY 82002

April 7, 1998

David S. Guzy, Chief
Rules and Publications Staff
Royalty Management Program
Minerals Management Service
P.O. Box 25165
MS 3021
Denver, CO 80225-0165

Re: Establishing Oil Value for Royalty Due on Federal Leases, Federal Register Vol. 63,
No. 25, Friday, February 6, 1998, Proposed Rules.

Dear Mr. Guzy:

On behalf of the State of Wyoming, please be advised that we have reviewed the referenced proposed rules. The State of Wyoming previously submitted comments on royalty valuation to your office. We understand that all previous comments will again be considered and need not be re-submitted. We would like to thank you for considering those comments once again. As well, please note that in the attached comments the Game and Fish Department and the Geological survey have provided some additional input.

Thank you for the opportunity to comment.

Sincerely,

Paul R. Kruse
Assistant Director
Office of Federal Land Policy

PRK:jh
Enclosures



WYOMING
GAME AND FISH DEPARTMENT

Jim Geringer, Governor



John Baughman, Director

March 11, 1998

WER 8950
Department of Interior
Minerals Management Service
Proposed Rule/Establishing Oil Value for
Royalty Due on Federal Leases, and Notice
of Public Meetings
SIN: 98-038

Wyoming State Clearinghouse
Office of Federal Land Policy
ATTN: Julie Hamilton
Herschler Building, 3SW
Cheyenne, WY 82002

Dear Ms. Hamilton:

The staff of the Wyoming Game and Fish Department has reviewed the Minerals Management Service Federal Register proposed rule for establishing oil value for royalty due on federal leases. We offer the following comments.

We recommend any increase in royalties resulting from this restructuring be at least partially earmarked for wildlife studies. The impacts of oil development on wildlife are not fully understood, but may be significant. Using increases in royalties for conducting studies to determine impacts of this resource development on wildlife would resolve several contentious issues in this state as well as providing information for future National Environmental Policy Act documents.

Thank you for the opportunity to comment.

Sincerely,

JOHN BAUGHMAN
DIRECTOR

JB:TC:as
cc: USFWS

HK



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STATE CAPITOL
CHEYENNE, WY 82002

TO: Don Christianson, Dept. Of Agriculture
Dennis Hemmer, DEQ
Dan Perko, Forestry
Ron Chubb, Revenue
Tom Collins, Game & Fish
Gary Glass, Geological Survey
Tim Stark, Transportation
Mike Besson, Water Development

Don Likwartz, Oil & Gas
State Lands & Investments
Jon Jacquot, PSC
Gary Thorson, Parks & Cultural
Jeff Fassett, State Engineer
John Keck, SHPO
Bill Gentle, Tourism

NAME OF ACTIVITY: Establishing Oil Value for Royalty Due on Federal Leases, and Notice of Public Meetings

RESPONSIBLE FEDERAL AGENCY: Dept. of Interior, Minerals Management Service

STATE IDENTIFIER NUMBER: 98-038

DATE OF REFERRAL: February 23, 1998

TYPE OF ACTION: Proposed Rule

The enclosed statement has been submitted to the Wyoming State Clearinghouse, Office of Federal Land Policy, for review as provided for in the National Environmental Policy Act of 1969 and the Office of Management and Budget Circular A-95. We would appreciate your review and comments on this project. All comments should be transmitted to the Clearinghouse by:

March 11, 1998

If an extension is necessary, please inform the clearinghouse. The Clearinghouse will assume the responsibility of passing all comments on to the Governor for his review and then to the federal agency by their deadline of March 23, 1998. Please refer to the State Identifier Number in all future correspondence.

Please indicate one of the following and return to the clearinghouse within the review period.

NO COMMENT _____ COMMENTS ATTACHED _____

Wyoming State Clearinghouse
Office of Federal Land Policy
Attn: Julie Hamilton
Herschler Building, 3SW
Cheyenne, WY 82002
(307) 777-7575 phone
(307) 777-5400 fax

Wyoming Previously Responded - In Conversation with Mike Gusey, Director DCA, understood he felt we had already made our point with first set of comments authored by Johnnie Burton and him. RK



E-MAIL: governor@misc.state.wy.us
WEB PAGE: www.state.wy.us

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STATE GEOLOGIST - Gary B. Glass

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Rodney H. De Bruin

PUBLICATIONS

Richard W. Jones

March 9, 1998

MEMORANDUM

TO: Julie Hamilton, Wyoming State Clearinghouse

FROM: Gary B. Glass, P.G., State Geologist

SUBJECT: Proposed rules for establishing the value of oil for calculating royalty on Federal leases (State Identifier # 98-038)

The Minerals Management Service has proposed four benchmarks that could be used in the Rocky Mountain Region for determining the pricing basis for calculating royalty payments on Federal oil leases (page 6119). A possible flaw in the second benchmark is its assumption that production in the same field or area will be similar in quality. This assumption may or may not be valid depending on how an area is defined. For instance, in the Powder River Basin, there is sweet high-gravity oil production in proximity to or in the same field as sour low-gravity oil production. Over half of the production in the Powder River Basin is sour.

It would appear using this method, that if a company were to sell half of its crude under arm's-length contracts at sour crude prices, it could then sell its sweet crude to an affiliate using the same value as its sour crude. Our concern here is that areas are defined so this cannot happen or that the rules

are modified to make it clear that this would not be appropriate.

If there are questions on these comments, please direct them to Rod De Bruin, our expert on oil and gas, or to me.